

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6633**

**BILL NUMBER:** SB 249

**DATE PREPARED:** Feb 26, 2002

**BILL AMENDED:** Feb 25, 2002

**SUBJECT:** Cumulative Capital Improvement Fund.

**FISCAL ANALYST:** Bob Sigalow

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**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill expands the purposes for which a city or town may use money in the cumulative capital improvement fund to: (1) design, develop, purchase, lease, upgrade, maintain, or repair computer equipment, software, networks, and access systems; (2) pay for the services of computer maintenance employees; (3) conduct in-service technology training; and (4) undertake Internet application development.

The bill allows a unit or the trustees of a fire protection district to use money in a cumulative firefighting building and equipment fund to purchase land for use by the fire department or volunteer fire department.

It also establishes a property tax exemption for a nonprofit corporation that participates in the small business incubator program.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Municipalities:* Under current law, a city or town may have two Cumulative Capital Improvement (CCI) Funds. One is funded with property tax levies and the other with cigarette tax distributions. SEA 441 (2001) allowed for additional uses of money collected in the CCI-Levy Fund. This bill would make the same changes to the approved uses of the CCI-Cigarette Tax Fund.

Under current law, a city or town may use money in its CCI-Cigarette Tax Fund to:

Purchase buildings, land, easements, or rights-of-way;  
Construct or improve city owned property; or

Retire bonds issued for one of the above purposes.

In addition to the above current uses of the CCI-Cigarette Tax Fund, this bill would allow a city or town to use money in the fund to design, develop, purchase, lease, upgrade, maintain, or repair computer hardware and software, wiring and computer networks, and communication access systems. The bill would also allow the fund to be used to pay for computer maintenance employees, conduct nonrecurring inservice technology training of unit employees, and to undertake Internet application development.

The statewide total revenue in the CCI-Cigarette Tax Fund is estimated at \$10.5 M for CY 2001. CY 2001 appropriations were approved at \$16.5 M. (This is a cumulative fund, so balances may carry over from year to year.)

This bill does not change the unit's levy authority or the amount that the units will receive from Cigarette Tax. It only expands the possible uses of the fund. If, as a result of this bill, a city or town uses money in the CCI-Cigarette Tax Fund for one of the new uses, then the unit might have to curtail spending for other current uses of the fund.

*Fire Departments:* Under current law, a municipality, township, or a fire protection district may use money in its cumulative building and equipment fund to purchase equipment and to purchase, construct, renovate, or add to buildings used by the fire department or a volunteer fire department that serves the unit. Municipalities may also use money in the fund to purchase police radio equipment. In addition to these authorized expenditures, this bill would allow units to purchase land with money in the fund. This provision would not increase any levy authority. It only expands the possible use of money that can now be raised..

**Explanation of Local Revenues:** (Revised) *Property Tax Exemption:* Under this proposal, a nonprofit corporation that participates in the small business incubator program would be eligible for a property tax exemption for its property that is used in the incubator program. Additional exemptions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the shift depends on the unknown amount of property for which an exemption is granted.

**State Agencies Affected:**

**Local Agencies Affected:** Cities; Towns; Townships; Fire protection Districts.

**Information Sources:** Local Government Database.